

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-10 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 FRB-02 XMB-07

OPIC-12 LAB-06 SIL-01 PA-04 USIA-15 PRS-01 DRC-01

AGR-20 NEA-10 /224 W

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R 281005Z FEB 74

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 1058

LIMITED OFFICIAL USE BANGKOK 3395

E. O. 11652: NA

TAGS: ECON, EFIN, ENRG, TH

SUBJ: CONSEQUENCES OF RECENT OIL PRICE INCREASES

REF : BANGKOK 3306

1. REFTEL REPORTED RECENT OIL PRICE INCREASES AUTHORIZED BY RTG. ALTHOUGH THIS ACTION POLITICALLY DIFFICULT FOR GOVERNMENT AND REPRESENTS LARGEST OFFICIALLY AUTHORIZED PRICE INCREASE DURING CURRENT PERIOD OF INFLATIONARY PRESSURES, THE SECONDARY CONSEQUENCES COULD BE EVEN MORE SERIOUS AS MORE AND MORE PEOPLE ARE REQUIRED TO PAY HIGHER PRICES FOR MANY GOODS AND SERVICES.

2. A MEMBER OF OIL COMMITTEE TOLD EMBASSY OFFICER FEB 28 THAT COMMITTEE HAD MADE STUDY OF SECONDARY EFFECTS PRIOR TO GOVERNMENT ANNOUNCEMENT ON OIL PRICE INCREASE THAT AVERAGED 21 TO 25 PERCENT ON ALL PRODUCTS BUT GAS - OIL, FOR WHICH THE PERCENTAGE INCREASE WAS LIMITED OFFICIAL USE
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MUCH LARGER. COMMITTEE STUDY FORECAST 2 PERCENT INCREASE IN OVERALL PRODUCTION COSTS TO RICE FARMER, APPROXIMATELY 5 PERCENT

FOR MEAT AND POULTRY PRODUCTION, 25 PERCENT INCREASE PER BUS TRIP AND 11 PERCENT FOR TRANSPORTATION GENERALLY, 35 PERCENT INCREASE IN ELECTRIC POWER RATES FROM EGAT AS PRODUCER TO MEA (METROPOLITAN ELECTRICITY AUTHORITY) AS DISTRIBUTOR AND 1.3 PERCENT IN INCREASED PRODUCTION COSTS TO THE TEXTILE INDUSTRY.

3. SAME OFFICIAL CONFIRMED PRESS STORIES TO EFFECT FISHING INDUSTRY BEING SEVERELY HAMPERED BY SHORTAGE OF DIESEL AND THAT MANY WERE PAYING HIGH BLACK MARKET PRICE TO OBTAIN FUEL. SAID THAT RATIONING SYSTEM BEING WORKED OUT FOR VARIOUS FISHING GROUPS IN ADDITION TO LONG STANDING POLICY OF GIVING FISHING INDUSTRY PRIORITY RATING FOR OIL ALLOCATION PURPOSES. CONFIRMED EARLIER STATEMENT OF MINISTRY OF INDUSTRY TO AMBASSADOR TO EFFECT THE DIESEL OIL EXPECTED FROM PRC AT BEGINNING MARCH WOULD GO MAINLY TO THE FISHING FLEET.

4. COMMENT: IN ADDITION TO HIGHER PRICES ON POL AND THE MUCH LARGER VOLUME OF SECONDARY PRICE INCREASES AS WELL, THERE IS ALSO THE ASPECT OF POSSIBLY INCREASED UNEMPLOYMENT. SHORTAGES OF IMPORTED RAW MATERIALS CONTINUE TO BE REPORTED BUT RELIABLE STATISTICS ARE LACKING ON THE CONSEQUENCES FOR UNEMPLOYMENT. AS FAR AS SANYA GOVERNMENT IS CONCERNED, IT SHOULD NOT BE FACED AGAIN WITH THE NEED TO GRANT SUCH SHARP PRICE INCREASES FOR ONE INDUSTRY DURING ITS REMAINING MONTHS IN OFFICE. THE DOMESTIC RICE PRICE HAS AND WILL CONTINUE TO BE KEPT FAIRLY STABLE THROUGH THE USE OF THE RICE EXPORT PREMIUM. NEVERTHELESS, THE WORKERS' GAINS FROM THE STRIKES OF NOVEMBER-DECEMBER 1973 ARE BEING STEADILY ERODED, AND IN THE BACKGROUND, CONSEQUENTLY, LURKS THE DANGER OF ANOTHER ROUND OF STRIKES. HOWEVER, THE LABOR SCENE HAS REMAINED QUIET SO FAR. THE NEW CONSTITUTION JUST ANNOUNCED AND THE ELECTIONS THAT ARE SCHEDULED TO FOLLOW MAY PROVIDE HELPFUL DIVERSION.

MASTERS

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